



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 16, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **CONTRACTOR ALERT REPORTING DATABASE STATUS REPORT  
(Board Agenda Item 26-C, April 27, 2010)**

This is our second status report on establishing a mechanism to alert County departments of poorly performing contractors. On April 27, 2010, your Board directed the Chief Executive Officer (CEO), Auditor-Controller (A-C), County Counsel (Counsel), and the Director of Internal Services (ISD) to establish a work group to report back on the following:

- An examination of what mechanisms and/or databases the County already has in place to monitor its contractors, so the County can utilize what is currently working;
- A more appropriate term than the "Do Not Call List", for the database that will track the County's poorly performing contractors;
- A clearly defined purpose of the list and a definition of poorly performing contractors;
- Clearly defined roles and responsibilities for County staff charged with updating this list;

- A mechanism to remove contractors from the list that have complied with their obligations, along with appropriate notification;
- A mechanism to notify poorly performing contractors that they will be placed on this list absent sufficient corrective action and/or restitution steps; and
- A standard report or information sheet on a monthly basis, to alert County departments when poorly performing contractors are identified.

We provided the first status report on June 7, 2010 and indicated that we have convened the work group to address each Board-direction action including a plan to carry out these actions.

### **Work Group Achievements**

Representatives from the CEO, A-C, Counsel, ISD, Departments of Children and Family Services, Community and Senior Services, Health Services, Mental Health, Probation, Public Health, and Public Social Services formed the work group to develop a mechanism to monitor poorly performing contractors. The work group has held multiple meetings to address the Board motion and the following provides the results or highlights of each action item listed above.

### **Examine and Review Existing Mechanisms or Databases**

The work group reviewed various existing County systems or mechanisms including three contract-monitoring systems, maintained by the Department of Public Works (DPW), ISD, and the City of Los Angeles Public Works (City), respectively.

DPW uses its system to manage approximately 300 active contracts and 1,300 expired contracts. This includes tracking the contract terms to ensure DPW completes contract solicitations timely. ISD uses its system to track the performance of approximately 400 active Proposition A, information technology, construction and cafeteria contracts. The City uses an Access (Microsoft Office Suite Product) database to track the performance of their personal service and construction contracts. Additionally, the City uses the database when selecting new contractors during the solicitation process.

The work group concluded that while each system serves its purpose for the respective agency, none of the three systems was ideal or would meet the general requirements of an alert system. For instance, using the DPW or the City System would require significant software modifications and/or additional hardware configuration to allow broad Countywide usage. Further, use of any of the three systems would require County staff to duplicate the data entry efforts since certain data is captured elsewhere within the County.

As a result, the work group recommended using the existing County's enterprise-based financial eCAPS System as the most effective means to alert County departments of contractors performing poorly. The A-C will put in place minor enhancement to the already-existing data structure. This mechanism is the most cost effective and the most efficient since the information technology infrastructure and architecture already exists within eCAPS.

Using eCAPS will provide County departments with access to shared information electronically when contractors do not comply with the County's fiscal, program or administrative policies and guidelines. In addition, using eCAPS reduces the amount of time for data entry required by staff since eCAPS already captures key contractor information.

### **Appropriate Term to Use As the Tracking Database**

The work group suggested naming the new Countywide monitoring system as the Contractor Alert Reporting Database (CARD). This term replaces the initial temporary name of "Do Not Call List".

### **Purpose of List and Definition of Poorly Performing Contractors**

As of September 1, 2010, Los Angeles County has approximately 7,500 active contracts; 4,300 are within the health and mental departments, 1,200 are within children and family well-being departments, 800 within public safety departments, 600 within operation departments and 600 within community and municipal services departments.

With the exception of Proposition A, information technology, construction and cafeteria contractors, the County currently does not maintain a central depository of information to track contractor performance. Overall, County departments adhere to County contracting policies and guidelines, developed by ISD in concert with County Counsel. However, each department handles its own contract process independently.

Additionally, County contract managers may share contractor performance information among themselves on a limited basis. However, the County does not have a systematic approach to identify poorly performing contractors who are bidding for service contracts in multiple County departments.

The purpose of a poorly performing contractor list is to provide a central depository (shared data base) within the County, so that departments' contract administration personnel can benefit from this information during the competitive solicitation process for contract services. In addition, County departments can periodically access the listing of poorly performing contractors to identify existing County contractors that may need increased levels of monitoring.

The work group defined poorly performing contractors as existing contractors that had prior well-documented contract compliance issues that were material and had a significant impact to the County and/or program participants. Prior to awarding additional County contracts, it is imperative for departments to be fully aware of any deficiencies.

### **Roles and Responsibilities for County Staff Charged with Updating the List**

The work group developed general guidelines to assist County staff in identifying contractors that are performing poorly (Attachment A). These guidelines identify and define what County staff may use to determine whether an alert should be placed on a contractor. For example, does the contractor owe money to the County or has the contractor taken the appropriate steps to correct previously identified contract non-compliance.

The guidelines also instruct County staff to take into consideration the materiality of the reportable conditions, such as the dollar amount owed to the County, the pattern and number of occurrences, and impact to the County or program participants. The A-C will develop training materials to County staff and provide further guidance relating to materiality.

### **Mechanism to Notify Contractors When Poor Performers Are Placed on the List; Mechanism to Remove Poor Performers from the List**

These two action items are not yet completed. The work group will continue to convene and develop the mechanisms necessary to notify contractors when poor performance occurred according to the defined guidelines. Additionally, the work group will develop the mechanisms needed to remove contractors from the list when they have complied with their obligations.

### **Monthly Standard Report or Information Sheet for Departments**

The A-C completed an initial screen design of CARD for users to update the database (Attachment B). We anticipate a CARD system prototype will be ready for testing in October 2010, with final system implementation by April 2011.

County staff will be able to view contractors listed in CARD using the eCAPS screens. In addition, the A-C's Systems Division will develop standard reports using the information in the CARD database. For example, County staff will have the ability to generate a report of contractors listed in CARD sorted by department, by nature of service, or by supervisorial district.

**Future Action**

The work group will also develop and coordinate training of County staff and identify clear roles and responsibilities for County departments to update CARD and maintain the database. The training will include procedures to query and obtain various summary reports on the poorly performing contractors placed on CARD.

We thank the various departments that participated in the work group discussions and assisted in developing the guidelines. We will report to your Board on or after April 2011 with the final implementation status.

Please call us if you have any questions or your staff may contact Don Chadwick, Division Chief, Contract Monitoring Division, Auditor-Controller at (213) 253-0301.

WLW:MMO:JET:DC

Attachments

c: All Department Heads  
Public Information Office  
Audit Committee

## **County Alert Reporting Database Draft Guidelines**

### **Placing a Contractor in the Contract Alert Reporting Database (CARD)**

Before placing a contractor in CARD, the County may consider the materiality of the noted issues, such as the dollar amount owed to the County, the pattern and number of occurrences, and impact to the County and/or program participants. In addition, the County needs to maintain sufficient documentation that supports placing a contractor in CARD.

The County may use, but are not limited to the following guidelines when deciding to place a contractor in CARD:

1. The contractor owes the County for overpayments and/or questioned costs and has not entered into a repayment agreement or agreed to pay the County back, or has been referred to the Treasurer and Tax Collector for collections.
2. The contractor has not taken the appropriate steps to correct documented areas of contract non-compliance in a timely manner.
3. The contractor's principal officers have previously been debarred by the County or other governmental entities.
4. The contractor has experienced financial, administrative, programmatic or pending legal issues that affect their ability to comply with the County contract requirements. Examples of these issues include, but are not limited to the following:
  - Bankruptcy
  - Loss of licenses
  - Failure to pay property or payroll taxes
  - Financial viability concerns
  - Lack of qualified staff
  - Amount of expenditures that were disallowed or undocumented
  - Lack of insurance
  - Poor program services
  - Assessment of any fines and/or penalties by public entities
5. The County has instituted contractual remedies against the contractor due to non-compliance with the County contract requirements. Examples of these contract remedies include, but are not limited to the following:
  - Terminated for convenience
  - Terminated for default
  - Assessing liquidated damages
  - Adjusting the contractor's funding
  - Not renewing the contract
  - Debarring the contractor



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Issues

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## Contractor Alert Reporting Database Issues

	Dept	Reporting	Sub Reporting	Vendor	Vendor Name
✓	AU	03FAP0701	BS01	000066	A-1 VISUAL SYSTEM
	AU	03FAP0701	AM01	000088	ICBM INCORPORATED
	CH	H-207500	BS01	000221	ACME LINEN CO INC
	FR	00-305	BS01	000469	ALLIED/FERGUSON ENTERPRISES
	SH	00-502	BS01	000585	WHITE CAP/BURKE

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## ▼ Contract Information

Department : AU Record Create Date : 06/01/2010 Issues Exist: ☒  
 Reporting Code : 03FAP0701 Reporting Active: ☐ Audits Exist: ☐  
 Sub Reporting Code : BS01 Sub Reporting Active: ☐  
 Vendor ID : 000066 Legal Name : A-1 VISUAL SYSTEM

## ▼ Issues Information

## Issues :

- ☒ The contractor has not made an effort to repay the County for questioned costs.  
☒ The contractor has not implemented a corrective action plan in a timely manner.  
☐ The contractor's principal officers have previously been debarred.  
☐ The contractor has material financial, administrative, programmatic or pending legal issues.  
☐ The County has instituted contractual remedies against the contractor.

Issue Date :

Resolved :

Resolved Date :

06/01/2010

☒

08/01/2010

06/03/2010

☐☐☐☐Unresolved Issues: ☒

Contact Name : Contact Phone : Contact Unit : Contact Email :

## ▼ General Information

## Comments:

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## Contractor Alert Reporting Database Audit

	Dept	Reporting	Sub Reporting	Vendor	Vendor Name	Audit Name	Audit Number
✓	AU	03FAP0701	BS01	000066	A-1 VISUAL SYSTEM	Audit 1	1

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Department : AU Record Create Date : 06/01/2010  
 Reporting Code : 03FAP0701 Reporting Active: ☐  
 Sub Reporting Code : BS01 Sub Reporting Active: ☐  
 Vendor ID : 000066 Legal Name : A-1 VISUAL SYSTEM

## ▼ Audit and Legal Information

Audit Organization : Auditor Controller, Audit Div Audit Date : 08/28/2010 No Issues Found: ☐ Audit Number : 1  
 Audit Name : Audit 1 Audit URL : http://audit.lacounty.gov/AU\_03FAP0701\_000066\_01A.html

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## County Counsel Contact Information:

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